

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Verizon  
California Inc. (U 1002 C) for Authority Pursuant  
to Public Utilities Code Section 851 to Sublease  
Office Space to Humboldt Bancorp.

Application 03-09-014  
(Filed September 8, 2003)

**DECISION AUTHORIZING SUBLEASE OF OFFICE SPACE****I. Summary**

Verizon California Incorporated (Verizon) requests approval of a proposed agreement with Humboldt Bancorp (Humboldt) whereby office space that is no longer needed for Verizon's operations would be subleased to Humboldt. By this decision, we approve the sublease.

**II. Background**

Verizon leases office space at the Roseville Corporate Center, 2998 Douglas Boulevard, Roseville California. The building is a multi-tenant administrative office building owned by an unaffiliated third party. The space was previously used to support a sales office that employed approximately 80 people. The sales office has since been downsized. As a result, a large portion of the space is no longer needed for Verizon's operations.

Verizon and Humboldt negotiated the proposed sublease agreement (sublease) for 5,453 square feet of unused office space. The sublease will become effective upon its approval by the Commission. Pending approval, Humboldt has begun to occupy the space under a revocable license pursuant to General Order 69-C.

Verizon represents that the sublease satisfies the requirements of Pub. Util. Code § 851<sup>1</sup> for the following reasons:

- It involves unused office space that is no longer needed.
- The sublease will not impair Verizon's provision of telecommunications service to the public.
- Revenues from the transaction will be properly recorded in accordance with Federal Communications Commission Part 32 accounting requirements.
- The underlying lease will remain part of Verizon's regulated rate base and will be reportable to the Commission as part of Verizon's regulated operations.

Verizon believes that there will be no future need for the office space because it is continuing to downsize. However, if it determines in the future that more office space is needed, it will look to obtain new office space at a lower cost than the existing lease. In addition, Verizon represents that the rent specified in the sublease is the fair market rent for the space.

### **III. Discussion**

Section 851 requires Commission authorization before a public utility may "sell, lease, assign, . . . or otherwise dispose of . . . property necessary or useful in the performance of its duties to the public, . . . ." The purpose of this section is to enable the Commission to review the sublease before it is consummated, and to take such action as the public interest may require.

In this instance, the office space is leased by Verizon, but is no longer being used, and is unlikely to be needed in the future. Therefore, it generates costs without any benefit. Under the proposed sublease, the rent and expenses related to the sublease will be paid directly to the landlord, not to Verizon as

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<sup>1</sup> All section references are to the Public Utilities Code, unless otherwise specified.

revenue. As a result, Verizon's rent and expenses will be reduced. In addition, the sublease will not impair Verizon's ability to serve its customers, and the underlying lease will continue to be reportable to the Commission as part of Verizon's regulated operations. We also note that the rent under the sublease is set at the fair market rent, and Humboldt is not affiliated with Verizon. For the above reasons, we find that the sublease serves the public interest.

#### **IV. Request to File Under Seal**

Verizon requests that the financial information filed with this application be filed under seal. The financial information consists of Applicant's balance sheet and income statement. Verizon represents that the information is not available to the public, and that it submits similar information to the Commission monthly on a confidential basis. The information, if revealed, would place Verizon at an unfair business disadvantage. We have granted similar requests in the past, and will do so here.

#### **V. Categorization and Need for Hearings**

In Resolution ALJ 176-3119 dated September 18, 2003, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

#### **VI. Comments on Draft Decision**

This is an uncontested matter in which the decision grants the requested relief. Therefore, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

**VII. Assignment of Proceeding**

Loretta M. Lynch is the Assigned Commissioner and Jeffrey P. O'Donnell is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. The office space that is the subject of this application is leased by Verizon, but is no longer being used, and is unlikely to be needed in the future.
2. The office space generates costs without any benefit.
3. Under the proposed sublease, the rent and expenses related to the sublease will be paid directly to the landlord, not to Verizon as revenue.
4. The sublease will reduce Verizon's rent and expenses.
5. The sublease will not impair Verizon's ability to serve its customers, and the underlying lease will continue to be reportable to the Commission as part of Verizon's regulated operations.
6. The rent under the sublease is set at the fair market rent.
7. Humboldt is not affiliated with Verizon.
8. Public disclosure of the financial information filed under seal would place Verizon at an unfair business disadvantage.
9. Notice of the application appeared in the Daily Calendar on September 10, 2003.
10. No protests have been filed.
11. A hearing is not required.

**Conclusions of Law**

1. Section 851 requires Commission authorization before a public utility may "sell, lease, assign, . . . or otherwise dispose of . . . property necessary or useful in the performance of its duties to the public, . . . ."

2. The purpose of § 851 is to enable the Commission to review the proposed sublease before it is consummated, and to take such action as the public interest may require.

3. The proposed sublease serves the public interest.

4. The proposed sublease should be approved.

5. Verizon's request to file its financial information under seal should be granted for two years.

## **O R D E R**

### **IT IS ORDERED** that:

1. Pursuant to Pub. Util. Code § 851, the application of Verizon California Incorporated (Verizon) to sublease unused office space is granted.

2. The authority granted herein shall expire if not exercised within 12 months of the effective date of this decision.

3. Verizon's request to have the financial information filed with this application kept under seal is granted for two years from the effective date of this decision. During that period the information shall not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the Assigned Commissioner, the assigned Administrative Law Judge (ALJ), or the ALJ then designated as Law and Motion Judge.

4. If Verizon believes that further protection of the information kept under seal is needed, it may file a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission's rules may then provide. This motion shall be filed no later than one month before the expiration date.

5. This proceeding is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.